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C O N F I D E N T I A L SECTION 01 OF 03 MUSCAT 000359

SIPDIS

STATE FOR NEA/ARP

E.O. 12958: DECL: 05/14/2018

TAGS: [ECON](#) [ETRD](#) [EINV](#) [MU](#)

SUBJECT: LOOKING FOR ECONOMIC GROWTH IN OMAN'S INTERIOR

REF: A. MUSCAT 256

[1](#)B. 07 MUSCAT 324

Classified By: Ambassador Gary A. Grappo for Reasons 1.4 (b and d)

Summary

[1](#)1. (C) Business officials in the Omani interior towns of Buraimi (located on the border with the United Arab Emirates) and Ibri are optimistic about the economic growth potential of their respective areas, in spite of the obstacles facing them. Improved road access and availability of natural gas and building materials figure significantly in their development plans, as does increased vehicular traffic from the UAE and Saudi Arabia. Buraimi faces an added concern with regard to the tightening of its border with the UAE, while Ibri looks for stronger commercial and community ties with foreign entities. End Summary.

Opportunities in Buraimi

[1](#)2. (C) As part of his outreach to the interior, on May 4, the Ambassador traveled to Buraimi and met with the governor and other local authorities. Sheikh Batti bin Mohammed bin Saif al-Niyadi, Director of the Oman Chamber of Commerce and Industry-Buraimi, told the Ambassador he was optimistic over Buraimi's future, especially since the Sultan elevated Buraimi's status to that of a governorate in 2006, which provided for greater political clout as well as a larger budget to fund projects. Niyadi remarked that the climate was ripe for investment, enhanced by recent announcements on the building of a cement factory and of an automobile assembly plant in Buraimi. The Director highlighted Oman's reputation for transparency in attracting business, citing the recent court victory by a Bahraini national against an Omani royal (ref A). Niyadi remarked, "In Oman, you don't need the sheikh's support to get things done, unlike in other Gulf Cooperation Council countries." In addition, he anticipated that the construction of a dual-lane highway from Sohar to Buraimi, with an onward link to Abu Dhabi, would pave the way for further commercial development. For these reasons, he welcomed U.S. interest in investing in Buraimi.

Overcoming Obstacles

[1](#)3. (SBU) While upbeat about its prospects, Niyadi acknowledged that Buraimi was facing several significant obstacles to future growth. The Director pointed out that the lack of natural gas would hinder continued industrial development in the governorate, even though a pipeline to import gas from Qatar would transit Buraimi. He further

noted that raw materials were in short supply, the result of intense regional competition for increasingly scarce resources. For example, Niyadi explained that the price of steel has risen from 170 RO (USD 441) per ton to 470 RO (USD 1,220) per ton, with forecasts expecting the price to inflate even further to 700 RO per ton (USD 1,881). He recounted that a local sheikh who built a tissue factory was subsequently approached by individuals looking to buy his building, primarily for the steel.

Border Woes

¶4. (SBU) Buraimi faces an even greater challenge in terms of normalizing its border relationship with the UAE. The September 2006 establishment of formal border crossing checkpoints by the UAE between Buraimi and the larger Emirati city of Al-Ain initially caught many Buraimi residents off-guard (ref B). Accustomed to the free movement of goods and people between the cities, the checkpoints discouraged the flow of traffic from Al-Ain, hurting business on the Buraimi side of the border.

¶5. (SBU) Local contacts suggest that the situation appears to be improving. Manoj Saini, Assistant General Manager of the Buraimi Hotel, commented to Econoff that while the checkpoints initially drove down business, an arrangement to permit expatriates in the UAE to renew their residence visas in Buraimi has filled his hotel. Several hundred expats now enter Buraimi on any given day to await reissuance of their UAE visas. (Note: The Omani border checkpoint remains

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approximately 20 kilometers inland, so non-Emirati residents can exit the UAE to renew their visas without having to formally enter Oman. End Note.) An American citizen entrepreneur who lives in Buraimi but conducts most of his business in Al-Ain, said that the border formalities are now much more efficient with the UAE's issuance of "border crossing cards" to expatriate residents of Buraimi.

Unlocking Ibri's Potential

¶6. (U) Following his visit to Buraimi, the Ambassador traveled south to Ibri, a regional hub in the al-Dhahriah governorate. Sheikh Hilal bin Said al-Hijri, the wali (local head of government) of Ibri, highlighted to the Ambassador the importance of his wilayat (district) during their May 5 meeting. With 115,000 residents and 244 villages, Ibri, according to the wali, serves as an important crossroads for the region. Ibri has been the beneficiary of considerable government investment, including a recently inaugurated \$8.5 million technical college, a new sewage plant, and a new \$5 million court complex.

¶7. (U) Hijri characterized the development of roads to Ibri as crucial for development of its small commercial base. The wali was grateful for the construction of the highways to the coastal cities of Muscat and Sohar, and expressed enthusiasm that a dual-lane road under construction linking Saudi Arabia with Oman would facilitate the flow of Saudi traffic to Muscat and Salalah via Ibri. Hijri noted that the main tourist season for Ibri was June through August, when residents from other Gulf states passed through the wilayat en route to the cooler climes of the Dhofar governorate in southern Oman. He estimated that pass-through traffic ranged between 300 and 900 cars per day, but commented that Ibri lacked sufficient hotel accommodations to generate substantial overnight business.

¶8. (U) Supplementing endeavors to capitalize on traffic flows was Ibri's greater emphasis on industry. Hijri remarked that the government's recent opening of a technical college in

Ibri would boost local interest in learning trades, and that the construction of an additional private technical institute would provide further vocational opportunities in the wilayat. The wali identified the marble and granite business as a particular economic bright spot in Ibri, whose companies currently export 75% of their marble to Dubai. Hijri was also hopeful that additional gas production opportunities would arise in the oil fields of Fahud, 125 kilometers south of Ibri.

Building Stronger Community Ties

¶9. (U) While in Ibri, the Ambassador also met with Sheikh Shihab al-Shukaili, Director of the Oman Chamber of Commerce and Industry-Ibri, and leading business representatives from the wilayat. Shukaili stressed that Ibri was generally overlooked when it came to doing business in Oman, and highlighted that his area had the people, minerals, and access to the UAE and Saudi Arabia to establish an industrial hub. In light of the pending implementation of the U.S.-Oman Free Trade Agreement, he requested the Embassy's assistance in promoting Ibri as a place to do business.

¶10. (SBU) During a subsequent roundtable discussion, State Council member and local businessman Ali al-Yahyai expressed skepticism about foreign interest in Ibri. Mohamed al-Kalbani, member of the Consultative Council, claimed that those foreign companies already in Ibri, such as Occidental Petroleum, do not make an effort to build ties with the community. He specifically pointed out that a request for Occidental to fund a comprehensive economic study for Ibri had gone unanswered. Kalbani added that there were other opportunities for Occidental to contribute to the community, such as funding a scholarship program for Ibri students to study in the U.S. or establishing a computer center for Ibri youth, but that the company had remained largely absent from the community.

¶11. (U) Business representatives also raised their concern regarding rising prices and supply shortages. Fish, which has gone up 47% in price over the past year in Oman, was in short supply earlier this year in Ibri before the Ministry of Fisheries stepped in to provide extra truckloads of fish. (Note: The Minister of Fisheries is from Ibri. End Note.) Another product in short supply is cement. Media report that

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the government has arrested four people in Ibri in connection with selling cement at exorbitant prices, but that the practice purportedly continues.

Comment

¶12. (SBU) Both towns face problems of isolation from the rest of Oman in their attempts to develop their economies. The Omani government has attempted to mitigate this obstacle by improving the road networks to both Buraimi and Ibri. Ibri is especially appreciative of the links to both Muscat and Sohar, while Buraimi sees much of its future tied to the UAE. (Note: It is only an hour's drive from Buraimi to both Dubai and Abu Dhabi, as opposed to a four hour drive to Muscat. End Note.) For this reason, Buraimi residents were particularly discouraged when new UAE checkpoints made it more difficult to travel to Al-Ain, but are now seemingly content with the subsequent arrangements made to ease the formalities.

¶13. (SBU) On the issue of corporate stewardship, it is worth noting that Occidental has provided community support in the areas where it operates, but takes a low-key approach in advertising its actions to the public. In general, Occidental looks to award contracts to local companies in the

areas of transportation, water hauling, fencing, and road grading. It has established an English language training center in the town of Haima (close to its fields in Mukhaizna), as well as an operator/technical training program. Besides its efforts to remodel a local high school, Occidental purchases food and sundries from local sources, provides water to eight villages, and gives preferential consideration to hiring Omanis. Occidental estimates that the value of its local support programs equaled \$10 million in 2007. The bulk of that support most likely went to its larger Mukhaizna field in the south, as opposed to its smaller Safah field closer to Ibri.

¶14. (C) Of interest is what was not discussed during the Ambassador's initial meeting with Sheikh Yahya bin Humud al-Ma'mari, the Governor of Buraimi. In submitting the request for the appointment, the Ministry of Foreign Affairs agreed to schedule it on the condition that the Ambassador not raise any substantive issues with the governor. The meeting itself was devoid of genuine substance, an indication that the sheikh was following strict MFA orders to keep discussion to the weather and the immaculate condition of Buraimi's streets. It is unclear why the MFA muzzled the governor, but the Embassy suspects that the MFA did not want Ma'mari to use the Ambassador's trip to the region to air an extensive list of complaints about being forgotten by Muscat.

End Comment.

GRAPPO